

**CITY OF NEW LONDON**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2015**

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## City of New London

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ron Sadler	Mayor	Dec 2015
Kirk Miller	Mayor Pro tem	Dec 2015
Tom Davis	Council Member	Dec 2015
Greg Malott	Council Member	Dec 2017
Frank Staley	Council Member	Dec 2017
Dan Berner	Council Member	Dec 2017
Jerry Wilhelm	Utility Board Chairman	Nov 2019
Cris Julian	Utility Chairman Pro tem	Nov 2017
Steve Rotter	Utility Trustee	Nov 2015
Phil Schellenberg	Utility Trustee	Nov 2019
Shanon Wellington	Utility Trustee	Nov 2015
Kasi A. Howard	City Clerk/Treasurer	Indefinite
Patsy Dillon	Deputy Clerk	Indefinite

# **TED M. WIEGAND, CPA**

606 East Madison Street

Mount Pleasant, Iowa 52641

Telephone (319) 385-4701

E-mail tdwiegand@mchsi.com

## **Independent Auditor's Report**

To the Honorable Mayor and  
Members of the City Council and Utility Board:

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of New London, Iowa (City) as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of New London as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. My opinions are not modified with respect to this matter.

### Emphasis of a Matter

As disclosed in Note 5 to the financial statements, the City of New London adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. My opinions are not modified with respect to this matter.

### Other Matters

#### *Supplementary and Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of New London's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the years ended June 30, 2014 and 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the seven years ended June 30, 2012 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, which includes the City's Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated March 23, 2016 on my consideration of the City of New London's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of New London's internal control over financial reporting and compliance.

TED M. WIEGAND, CPA

March 23, 2016

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of New London (City) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 4.0%, or approximately \$45,000, from fiscal year 2014 to fiscal year 2015. Property tax increased approximately \$19,000 and loan receipts decreased \$138,000.
- Disbursements of the City's governmental activities decreased 8.2%, or approximately \$92,000, from fiscal year 2014 to fiscal year 2015. Debt service disbursements decreased approximately \$154,000. Capital projects disbursements increased approximately \$97,000.
- The City's total cash basis net position increased 5%, or approximately \$166,000, from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities increased approximately \$73,000 and the cash basis net position of the business type activities increased approximately \$93,000.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state grants finance most of these activities.
- Business Type Activities include the electrical distribution, sanitary sewer system, waterworks and refuse collection. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Local Option Sales Tax, Road Use Tax and Employee Benefits, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds and the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains Enterprise Funds to provide separate information for the Electric, Sewer, Water and Sanitation funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.



Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from \$694,587 to \$767,424. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

### Changes in Cash Basis Net Position of Governmental Activities

	<u>Year Ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Receipts:		
Program receipts:		
Charges for services	\$ 4,567	\$ 5,109
Operating grants, contributions and restricted interest	246,401	227,755
General receipts:		
Property tax	472,270	446,001
Local option sales tax	163,894	167,356
Unrestricted interest on investments	8,767	6,503
Loan proceeds	-	138,000
Sale of capital assets	24,402	-
Other general receipts	<u>152,710</u>	<u>127,388</u>
Total receipts	<u>1,073,011</u>	<u>1,118,112</u>
Disbursements:		
Public safety	348,958	329,467
Public works	304,682	327,416
Culture and recreation	174,498	186,563
Community and economic development	390	10,047
General government	111,042	122,145
Debt service	-	153,602
Capital projects	<u>97,304</u>	<u>-</u>
Total disbursements	<u>1,036,874</u>	<u>1,129,240</u>
Change in cash basis net position before transfers	36,137	(11,128)
Transfers, net	<u>36,700</u>	<u>-</u>
Change in cash basis net position	72,837	(11,128)
Cash basis net position beginning of year	<u>694,587</u>	<u>705,715</u>
Cash basis net position end of year	<u>\$ 767,424</u>	<u>\$ 694,587</u>

The City's total receipts for governmental activities decreased approximately \$45,000, or 4.0%. The total cost of all programs and services decreased approximately \$92,000, or 8.1%, with no new programs added this year. The decrease in disbursements was primarily the result of the refinancing of the fire truck debt for \$138,000 in fiscal year 2014.

The City increased property tax rates for fiscal year 2015 an average of 5.5%. This increase raised the City's property tax receipts approximately \$26,000 in fiscal year 2015.

The cost of all governmental activities this year was \$1,036,874 compared to \$1,129,240 last year. However, as shown in the Cash Basis Statement of Activities and Net Position, the amount taxpayers ultimately financed for these activities was \$785,906 because some of the cost was paid by those directly benefited from the programs (\$4,567) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted

interest (\$246,401). The City paid for the remaining “public benefit” portion of governmental activities with property tax and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City’s governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2015 from \$232,864 to \$250,968, principally due to increased receipts from township fire departments.

#### Changes in Cash Basis Net Position of Business Type Activities

	<u>Year ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 344,606	\$ 349,532
Electric	1,880,591	1,914,620
Sewer	508,675	389,734
Sanitation	157,045	155,216
Operating grants, contributions and restricted interest	185,000	-
Capital grants, contributions and restricted interest:		
Electric	-	500,000
Sewer	-	860,000
General receipts:		
Unrestricted interest on investments	18,843	14,406
Loan proceeds	1,648,102	2,568,787
Sale of capital assets	28,800	-
Miscellaneous receipts	<u>13,240</u>	<u>27,007</u>
Total receipts	<u>4,784,902</u>	<u>6,779,302</u>
Disbursements:		
Water	610,954	614,874
Electric	1,811,569	1,712,999
Sewer	2,081,866	3,468,520
Sanitation	<u>150,360</u>	<u>130,627</u>
Total disbursements	<u>4,654,749</u>	<u>5,927,020</u>
Change in cash basis net position before transfers	130,153	852,282
Transfers, net	<u>(36,700)</u>	<u>-</u>
Change in cash basis net position	93,453	852,282
Cash basis net position beginning of year	<u>2,424,727</u>	<u>1,572,445</u>
Cash basis net position end of year	<u>\$ 2,518,180</u>	<u>\$ 2,424,727</u>

Total business type activities receipts for the fiscal year were \$4,784,902 compared to \$6,779,302 last year. This significant decrease was primarily a result of the change in loan proceeds received, which totaled \$1,648,102 during fiscal year 2015 compared with \$2,568,787 during fiscal year 2014, and the receipt of \$185,000 in grants during fiscal year 2015 compared to \$1,360,000 during fiscal year 2014. Counteracting these decreases was an increase of approximately \$120,000 for sewer charges which was a direct result of increased sewer rates charged for fiscal year 2015.

Total business type activities disbursements for the fiscal year were \$4,654,749. Water disbursements were significantly higher in both fiscal year 2014 and fiscal year 2015 due to water main projects. Sewer disbursements were significantly higher in fiscal year 2014 due to the wastewater treatment plant improvements, engineering services, and lagoon dredging required.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of New London completed the year, its governmental funds reported a combined fund balance of \$795,062, an increase of \$70,570 from last year's total of \$724,492. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$115,226 from the prior year to \$323,767. \$111,701 of this increase was due to local option sales tax monies transferred into the General Fund for the first time this fiscal year. The City intends to use these receipts to help offset future property tax increases.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$167,356 to \$219,549. \$163,894 of local option taxes was received and \$111,701 was transferred to the General Fund.
- The Capital Projects Fund cash balance decreased \$318,100 to \$225,302. This decrease was due primarily to fiscal year 2015 capital projects, which totaled approximately \$97,000.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Electric Fund cash balance increased from \$1,866,606 to \$1,963,293, due primarily to operating receipts exceeding operating disbursements.
- The Enterprise, Sewer Fund cash balance decreased from \$325,507 to \$296,400, due primarily to major ongoing sewer repairs.
- The Enterprise, Water Fund cash balance increased from \$100,765 to \$117,425, due primarily to the sale of a backhoe for \$13,600.

## **BUDGETARY HIGHLIGHTS**

During fiscal year 2015, the City amended its budget one time. The amendment was approved on May 12, 2015 and resulted in increases in public safety by \$65,844, public works by \$80,000, culture and recreation by \$10,000, general government by \$20,000 and capital projects by \$70,000 related to a general cost overrun on various expenses. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$57,497 more than budgeted. This was primarily due to the City receiving \$185,000 from the State of Iowa (I-JOBS) that was not budgeted.

Total disbursements were \$457,295 less than the total amended budget. Actual disbursements for the public works and capital projects functions exceeded the budgeted amount before the budget was amended on May 12. The primary cause of the public works budget excess was the purchase of a tractor for \$39,050 in March. Capital projects expenditures that caused the budget overage included Division street engineering costs.

## DEBT ADMINISTRATION

At June 30, 2015, the City had \$8,719,429 of bonds and other long-term debt outstanding, compared to \$7,565,548 last year, as shown below.

	June 30,	
Outstanding Debt at Year-End	<u>2015</u>	<u>2014</u>
Revenue bonds and notes	\$ 8,595,795	\$ 7,428,692
Other debt	<u>123,634</u>	<u>136,856</u>
Total	<u>\$ 8,719,429</u>	<u>\$ 7,565,548</u>

Debt increased as a result of issuing \$1,561,414 in sewer revenue bonds to finance major sewer repairs that were needed. In addition, the City issued \$86,689 in water revenue bonds for the purpose of replacing several blocks of water mains.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$123,634 is significantly below its constitutional debt limit of approximately \$1.8 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of New London's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates and fees charged for various City activities. Those factors include the local economy, the needs of the citizens and repair and maintenance of essential infrastructure.

These factors were taken into account when adopting the budget for fiscal year 2016. Budgeted property tax revenue for fiscal year 2016 increased by 11% from fiscal year 2015 due to increases in assessed valuations and rate increases for Special Revenue levees. The regular general levy remains at the maximum amount of \$8.10 per thousand dollars of valuation. Budgeted charges for services decreased in fiscal year 2016 by 2.6% as a result of a cool summer and conservation of water due to increased water and sewer rates. Budgeted other financing sources decreased by 68% for fiscal year 2016 due to the end of the improvements at the waste water treatment plant and the start of a new ground level water detention tank with yard piping and high service pumps.

Budgeted disbursements are expected to total approximately \$1,127,500 less than the fiscal year 2015 actual disbursements total. Budgeted business type activities expenditures saw a decrease in fiscal year 2016 of about \$936,000 due to the completion of the improvements at the waste water treatment plant during fiscal year 2015. The City has no major new programs or initiatives to the fiscal year 2016 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$120,000 by the close of fiscal year 2016.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kasi A. Howard, City Clerk, City of New London, 112 West Main Street, New London, Iowa 52645.

**City of New London**  
**Basic Financial Statements**

City of New London  
Cash Basis Statement of Activities and Net Position  
As of and For the Year Ended June 30, 2015

		Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:	Disbursements	Charges for Service					
Governmental activities:							
Public safety	\$ 348,958	3,084	32,966	-	(312,908)	-	(312,908)
Public works	304,682	-	197,255	-	(107,427)	-	(107,427)
Culture and recreation	174,498	-	16,180	-	(158,318)	-	(158,318)
Community and economic development	390	-	-	-	(390)	-	(390)
General government	111,042	1,483	-	-	(109,559)	-	(109,559)
Capital projects	97,304	-	-	-	(97,304)	-	(97,304)
Total governmental activities	1,036,874	4,567	246,401	-	(785,906)	-	(785,906)
Business type activities:							
Water	610,954	344,606	185,000	-	-	(81,348)	(81,348)
Electric	1,811,569	1,880,591	-	-	-	69,022	69,022
Sewer	2,081,866	508,675	-	-	-	(1,573,191)	(1,573,191)
Sanitation	150,360	157,045	-	-	-	6,685	6,685
Total business type activities	4,654,749	2,890,917	185,000	-	-	(1,578,832)	(1,578,832)
Total	\$ 5,691,623	2,895,484	431,401	-	(785,906)	(1,578,832)	(2,364,738)
<b>General Receipts and Transfers:</b>							
Property tax levied for general purposes					472,270	-	472,270
Local option sales tax					163,894	-	163,894
Unrestricted interest on investments					8,767	18,843	27,610
Loan proceeds					-	1,648,102	1,648,102
Miscellaneous					152,710	13,240	165,950
Sale of capital assets					24,402	28,800	53,202
Transfers					36,700	(36,700)	-
Total general receipts and transfers					858,743	1,672,285	2,531,028
Change in cash basis net position					72,837	93,453	166,290
Cash basis net position beginning of year					694,587	2,424,727	3,119,314
Cash basis net position end of year					\$ 767,424	2,518,180	3,285,604
<b>Cash Basis Net Position</b>							
Restricted:							
Expendable:							
Streets					\$ (11,444)	-	(11,444)
Debt service					85	556,453	556,538
Unrestricted					778,783	1,961,727	2,740,510
Total cash basis net position					\$ 767,424	2,518,180	3,285,604

See notes to financial statements.

City of New London  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Governmental Funds  
As of and for the year ended June 30, 2015

	General	Local Option Sales Tax	Capital Projects	Nonmajor	Total
Receipts:					
Property tax	\$ 321,122	-	-	135,615	456,737
Other taxes	15,533	163,894	-	-	179,427
Licenses and permits	1,483	-	-	-	1,483
Use of money and property	9,965	-	4,506	-	14,471
Intergovernmental	117,228	-	-	197,255	314,483
Charges for service	7,556	-	-	-	7,556
Miscellaneous	95,557	-	-	880	96,437
Total receipts	568,444	163,894	4,506	333,750	1,070,594
Disbursements:					
Operating:					
Public safety	291,582	-	-	57,376	348,958
Public works	73,949	-	-	230,733	304,682
Culture and recreation	137,699	-	-	36,799	174,498
Community and economic development	390	-	-	-	390
General government	98,149	-	-	12,893	111,042
Capital projects	-	-	97,304	-	97,304
Total disbursements	601,769	-	97,304	337,801	1,036,874
Excess of receipts over disbursements	(33,325)	163,894	(92,798)	(4,051)	33,720
Other financing sources (uses):					
Sale of capital assets	150	-	-	-	150
Transfers in	161,701	-	-	-	161,701
Transfers out	(13,300)	(111,701)	-	-	(125,001)
Total other financing sources (uses)	148,551	(111,701)	-	-	36,850
Change in cash balances	115,226	52,193	(92,798)	(4,051)	70,570
Cash balance, beginning of year	208,541	167,356	318,100	30,495	724,492
Cash balance, end of year	\$ 323,767	219,549	225,302	26,444	795,062
<b>Cash Basis Fund Balances</b>					
Restricted for:					
Road use purposes	\$ -	-	-	(11,444)	(11,444)
Debt service	-	-	-	85	85
Other purposes	-	219,549	-	37,803	257,352
Assigned for:					
Library purposes	112,548	-	-	-	112,548
Capital project purposes	-	-	225,302	-	225,302
Unassigned	211,219	-	-	-	211,219
Total cash basis fund balance	\$ 323,767	219,549	225,302	26,444	795,062

See notes to financial statements.

City of New London  
Reconciliation of the Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
to the Cash Basis Statement of Activities and Net Position -  
Governmental Funds  
As of and for the year ended June 30, 2015

<b>Total governmental funds cash balances (page 15)</b>	\$ 795,062
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***Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position.

(27,638)

<b>Cash basis net position of governmental activities (page 14)</b>	\$ 767,424
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<b>Change in cash balances (page 15)</b>	\$ 70,570
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***Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with governmental activities in the Cash Basis Statement of Activities and Net Position.

2,267

<b>Change in cash basis net position of governmental activities (page 14)</b>	\$ 72,837
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See notes to financial statements.



City of New London  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds  
As of and for the year ended June 30, 2015

	Enterprise Funds					Internal Service
	Electric	Sewer	Water	Nonmajor	Total	Employee Health
Operating receipts:						
Charges for service	\$ 1,880,591	508,675	344,606	157,045	2,890,917	500
Miscellaneous	3,376	-	-	15,615	18,991	-
Total operating receipts	1,883,967	508,675	344,606	172,660	2,909,908	500
Operating disbursements:						
Governmental activities:						
Public safety	-	-	-	-	-	2,754
Public works	-	-	-	-	-	1,528
Culture and recreation	-	-	-	-	-	3,829
General government	-	-	-	-	-	2,922
Business type activities	1,324,335	176,194	306,757	163,360	1,970,646	9,151
Total operating disbursements	1,324,335	176,194	306,757	163,360	1,970,646	20,184
Excess (deficiency) of operating receipts over (under) operating disbursements	559,632	332,481	37,849	9,300	939,262	(19,684)
Non-operating receipts (disbursements):						
Revenue bond proceeds	-	1,561,413	86,689	-	1,648,102	-
Sale of capital assets	13,600	1,600	13,600	-	28,800	-
Intergovernmental	-	-	185,000	-	185,000	-
Interest on investments	15,239	1,871	1,269	464	18,843	-
Rent	-	6,000	-	-	6,000	-
Windmill extended warranty	(152,026)	-	-	-	(152,026)	-
Debt service	(335,208)	(326,262)	(72,017)	-	(733,487)	-
Capital projects	-	(1,579,410)	(232,180)	-	(1,811,590)	-
Net non-operating receipts (disbursements)	(458,395)	(334,788)	(17,639)	464	(810,358)	-
Excess of receipts over disbursements	101,237	(2,307)	20,210	9,764	128,904	(19,684)
Transfers in	-	-	-	-	-	23,200
Transfers out	(4,550)	(26,800)	(3,550)	(25,000)	(59,900)	-
Change in cash balances	96,687	(29,107)	16,660	(15,236)	69,004	3,516
Cash balances beginning of year	1,866,606	325,507	100,765	102,887	2,395,765	(944)
Cash balances end of year	\$ 1,963,293	296,400	117,425	87,651	2,464,769	2,572
<b>Cash Basis Fund Balances</b>						
Restricted for debt service	\$ 453,267	95,802	7,384	-	556,453	-
Unrestricted	1,510,026	200,598	110,041	87,651	1,908,316	2,572
Total cash basis fund balances	\$ 1,963,293	296,400	117,425	87,651	2,464,769	2,572

See notes to financial statements.

City of New London  
Reconciliation of the Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
to the Cash Basis Statement of Activities and Net Position -  
Proprietary Funds  
As of and for the year ended June 30, 2015

<b>Total enterprise funds cash balances (page 17)</b>	\$ 2,464,769
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***Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in business type activities in the Cash Basis Statement of Activities and Net Position.

53,411

<b>Cash basis net position of business type activities (page 14)</b>	\$ 2,518,180
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<b>Change in cash balances (page 17)</b>	\$ 69,004
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***Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with business type activities in the Cash Basis Statement of Activities and Net Position.

24,449

<b>Change in cash basis net position of business type activities (page 14)</b>	\$ 93,453
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See notes to financial statements.

City of New London

Notes to Financial Statements

June 30, 2015

**(1) Summary of Significant Accounting Policies**

The City of New London is a political subdivision of the State of Iowa located in Henry County. It was incorporated in 1861 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides electric, water, refuse collection and sewer utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of New London has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the GASB criteria.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Des Moines County Regional Solid Waste Commission, Southeastern Iowa Regional Planning Commission, Henry County Emergency Management Commission, and Henry County Joint E911 Service Board.

**B. Basis of Presentation**

**Government-wide Financial Statement** - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

*Expendable restricted net position* results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of cash balances not meeting the definition of other categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

The Special Revenue, Local Option Sales Tax Fund is used to account for the local option sales tax monies received.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

The Enterprise, Electric Fund accounts for the operation and maintenance of the City owned electric utility system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the public works and capital projects functions before the budget was amended.

## (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all Level 1, which means that the investments are insured or registered, or the securities are held by the City or its agent in the City's name. All of the City's investments were in certificates of deposit during the fiscal year ended June 30, 2015.

## (3) Bonds and Notes Payable and other Debt

Annual debt service requirements to maturity for revenue bonds and notes are as follows:

Year Ending <u>June 30,</u>	Revenue <u>Bonds/Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 237,000	\$ 169,554
2017	239,000	163,863
2018	245,000	157,633
2019	256,000	150,578
2020	263,000	142,598
2021-2025	1,453,000	569,701
2026-2030	1,494,000	279,794
2031-2034	<u>406,000</u>	<u>18,518</u>
	<u>\$4,593,000</u>	<u>\$1,652,239</u>

The debt service requirements to maturity for the sewer revenue bond issued February 14, 2014 is not included above because the final amortization is not yet available. The final amortization schedule for the water revenue bond issued March 28, 2014 includes \$5,000 for a draw of funds made subsequent to June 30, 2015.

### Electric Revenue Capital Loan Note and Sewer Revenue Capital Loan Bond

The City has pledged future electric customer receipts, net of specified operating disbursements, to repay \$4,450,000 of electric revenue notes issued in April 2011. Proceeds from the notes provided financing for the construction of the Wind Turbine. The notes are payable solely from electric customer net receipts and are payable through 2031. Annual principal and interest payments on the notes are expected to require less than 50% of net receipts. The total principal and interest remaining to be paid on the notes is \$5,334,401. For the current year, principal and interest paid and total customer net receipts were \$334,508 and \$559,632, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$727,000 for the sewer revenue bond issued in April 2005. The bond is payable solely from sewer customer net receipts and is payable through

2025. Annual principal and interest payments on the notes are expected to require less than 25% of net receipts. The total principal and interest remaining to be paid on the notes is \$490,030. For the current year, principal and interest paid and total customer net receipts were \$48,590 and \$332,481, respectively.

The resolutions providing for the issuance of the electric revenue note and the sewer revenue bond include the following provisions:

- (a) The bond or note will only be redeemed from the future earnings of the enterprise activity and the bond or note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate electric and sewer sinking accounts within the Enterprise Funds for the purpose of making the bond and note principal and interest payments when due.
- (c) Electric user charges must be established at a level which produces and maintains net revenues at a level not less than 110% of principal and interest requirements of the next fiscal year.
- (d) Sewer user charges must be established at a level which produces and maintains net revenues at a level not less than 110% of principal and interest requirements of the next fiscal year.

#### Water Revenue Capital Loan Note

On November 9, 2009, the City entered into an interest free interim loan and disbursement agreement with the Iowa Finance Authority to be used for the purpose of paying the costs of planning and designing improvements to the water system. During the year ended June 30, 2015, this debt was retired.

#### Sewer Revenue Bond

On February 14, 2014, the City entered into a loan agreement with the Iowa Finance Authority for the issuance of \$4,891,000 of sewer revenue bonds with interest at 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued to finance wastewater treatment plant improvements. The note bears interest at 1.75% per annum and has a servicing fee of 0.25% per annum. Bond principal, interest, and servicing fees are payable semiannually on June 1 and December 1 of each year until the loan is paid in full. The loan is scheduled to be paid in full on June 1, 2034.

The proceeds of the loan were disbursed to the City on a cost reimbursement basis until the project is completed. As of June 30, 2015, the loan balance was \$4,007,795. For the current year, the City paid \$75,540 in interest and fees on the sewer revenue bond.

#### Water Revenue Bond

On March 28, 2014, the City entered into a loan agreement with the Iowa Finance Authority for the issuance of \$370,000 of water revenue bonds with interest at 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued to finance the water main improvement project. Bond principal, interest, and servicing fees are payable semiannually on June 1 and December 1 of each year until the loan is paid in full. The loan is scheduled to be paid in full on June 1, 2034.

The proceeds of the loan were disbursed to the City on a cost reimbursement basis until the project is completed. As of June 30, 2015, the loan balance was \$350,000. For the current year, the City paid \$7,017 in interest and fees on the water revenue bond.

#### Fire truck loan

On May 15, 2014, the City refinanced \$138,010 for the fire truck loan with Two Rivers Bank & Trust to obtain a lower rate of interest. The loan requires 108 monthly payments of \$1,418.07 beginning in June 2014 and ending May 2023. At June 30, 2015, the outstanding principal balance was \$122,797.

#### **(4) Self-Insured Health Benefits**

The City has an agreement to provide certain health benefits to its employees. The City pays 100% of the premium for health insurance, 80% of the deductible, and 100% of the out of pocket maximum after the deductible has been met. The total maximum reimbursement liability of the City is \$145,800. The City's actual cost related to this reimbursement for the year ended June 30, 2015 was \$20,185.

#### **(5) Pension Plan**

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.



Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$62,734.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$295,951. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportions for the regular membership group and the protection occupation membership group were 0.008398 percent and 0.047549 percent, respectively, which was an increase of 0.00037 for the regular membership group and a decrease of 0.00314 for the protection occupation membership group from the proportions measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$28,328, \$18,319 and \$39,902 respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b><u>Asset Class</u></b>	<b><u>Asset Allocation</u></b>	<b><u>Long-Term Expected Real Rate of Return</u></b>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
City's proportionate share of the net pension liability (asset)	\$668,446	\$295,951	(\$18,360)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and comp time payable to employees at June 30, 2015 is as follows:

Type of Benefit	Amount
Vacation	\$ 25,000
Comp time	<u>3,500</u>
Total	<u>\$ 28,500</u>

This liability has been computed based on rates of pay in effect at June 30, 2015.

**(7) Related Party Transactions**

The City had business transactions with City officials or employees totaling \$738 during the year ended June 30, 2015.

**(8) Major Supplier**

The City purchases electric power through the Resale Power Group of Iowa. The total amount purchased was \$639,800 which represents 100% of the total kilowatt hours purchased.

**(9) Franchise Fees**

The City receives franchise fees from Mediacom Communications Corporation at 5% of their gross subscriber revenue. The agreement will expire in February of 2018.

#### **(10) Other Postemployment Benefits (OPEB)**

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 15 active employees and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$352.09 for single coverage and \$880.23 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2015, the City contributed \$128,477 and plan members eligible for benefits did not contribute to the plan.

#### **(11) Unconditional Guarantee**

On April 4, 2008, the City of New London, upon resolution of the City Council, agreed to guarantee the performance by the New London Community and School District Foundation (Foundation) of all terms and conditions of the agreement between the Foundation and the United States Department of Agriculture (USDA). The loan was to finance the construction of a child care facility. The New London Community School District is the fee title holder of record, but subject to a leasehold interest granted to the Foundation.

The City of New London, upon notification by the USDA of any default of non-performance of said agreement by the Foundation, shall make payments to cure said default out of any funds of the City of New London, Iowa, including out of its General Operating Fund or its Debt Service Fund established pursuant to Iowa Code 384.4. During the year ended June 30, 2015, the City of New London made four payments of \$4,437, a total of \$17,748, on behalf of the Foundation.

This Unconditional Guarantee shall be binding on all successive city councils as it is the intent of the City of New London that this Unconditional Guarantee shall exist for as long as the indebtedness to the USDA is outstanding. The City waives all defenses to this Unconditional Guarantee, and pledges its full faith and credit to the repayment and guarantee of the loan. As of June 30, 2015, the outstanding loan balance was 909,797.

#### **(12) Lease Commitment**

On April 29, 2010, the City entered into a 25 year real estate lease for the purpose of erecting, maintaining and operating a wind turbine for the purpose of generating electricity. The lease was amended on March 21, 2012 with the following terms. The lease is renewable on a year-to-year basis at the end of the 25 year term. The City agreed to pay the real estate taxes and special assessments related to the parcel of land. The annual payment is subject to increases every 5 years based upon the most recent U.S. Bureau of Labor Midwest Region Consumer Price Index. Total rent expense for the year ended June 30, 2015 was \$6,000.

The future minimum lease payments under this agreement are as follows:

Year Ending June 30,	
2016	\$ 6,000
2017	6,000
2018	6,000
2019	6,000
2020	6,000
Thereafter	<u>87,000</u>
Total	\$ <u>117,000</u>

### **(13) Inter-fund Transfers**

The detail of inter-fund transfers for the year ended June 30, 2015 is as follows:

Transfer to:

General fund	\$ 161,701
Employee Health fund	23,200

Transfer from:

General fund	\$ 13,300
Local Option Sales Tax fund	111,701
Sewer fund	26,800
Sanitation fund	25,000
Water fund	3,550
Electric fund	4,550

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

### **(14) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **(15) Deficit Balances**

The Road Use Tax Fund had a deficit balance of \$11,444 at June 30, 2015. The deficit balance was a result of a data entry error. The deficit will be remedied during fiscal year 2016.

### **Other Information**

City of New London

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds  
Other Information  
Year ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 456,737	-	-
Other city tax	179,427	-	-
Licenses and permits	1,483	-	-
Use of money and property	14,471	24,843	-
Intergovernmental	314,483	185,000	-
Charges for service	7,556	2,891,417	500
Miscellaneous	96,437	47,791	-
Total receipts	1,070,594	3,149,051	500
Disbursements:			
Public safety	348,958	2,754	2,754
Public works	304,682	1,528	1,528
Culture and recreation	174,498	3,829	3,829
Community and economic development	390	-	-
General government	111,042	2,922	2,922
Debt service	-	-	-
Capital projects	97,304	-	-
Business type activities	-	4,676,900	9,151
Total disbursements	1,036,874	4,687,933	20,184
Excess (deficiency) of receipts over (under) disbursements	33,720	(1,538,882)	(19,684)
Other financing sources, net	36,850	1,611,402	23,200
Net changes in cash balances	70,570	72,520	3,516
Cash balances beginning of year	724,492	2,394,821	(944)
Cash balances end of year	\$ 795,062	2,467,341	2,572

See accompanying independent auditor's report.

Net Total	Budgeted Amounts		Final to Net Total Variance
	Original	Final	
456,737	451,394	451,394	5,343
179,427	152,115	152,115	27,312
1,483	2,050	2,050	(567)
39,314	31,065	31,065	8,249
499,483	290,124	290,124	209,359
2,898,473	3,124,500	3,124,500	(226,027)
144,228	110,400	110,400	33,828
4,219,145	4,161,648	4,161,648	57,497
348,958	333,690	399,534	50,576
304,682	244,284	324,284	19,602
174,498	212,850	222,850	48,352
390	400	400	10
111,042	107,790	127,790	16,748
-	19,844	19,844	19,844
97,304	69,000	139,000	41,696
4,667,749	4,928,216	4,928,216	260,467
5,704,623	5,916,074	6,161,918	457,295
(1,485,478)	(1,754,426)	(2,000,270)	(399,798)
1,625,052	1,700,000	1,700,000	(74,948)
139,574	(54,426)	(300,270)	(474,746)
3,120,257	2,564,125	2,564,125	3,443,168
3,259,831	2,509,699	2,263,855	2,968,422



City of New London

Notes to Other Information – Budgetary Reporting

June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, the one budget amendment increased budgeted disbursements by \$245,844. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the public works and capital projects functions before the budget was amended.

City of New London  
Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
Last Fiscal Year\*

Other Information

	<u>2015</u>
City's proportion of the net pension liability (asset)	
Regular	0.008398%
Protection occupation	(0.047549%)
City's proportionate share of the net pension liability (asset)	
Regular	\$ 333,065
Protection occupation	(37,114)
City's covered-employee payroll	
Regular	\$ 532,721
Protection occupation	149,529
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	
Regular	62.52%
Protection occupation	(24.82%)
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of New London  
Schedule of City Contributions

Iowa Public Employees' Retirement System  
For the Last Ten Years

Other Information

	2015	2014	2013	2012
Statutorily required contribution	\$ 62,734	65,190	63,275	58,838
Contributions in relation to the statutorily required contribution	(62,734)	(65,190)	(63,275)	(58,838)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered-employee payroll	682,250	701,853	699,768	698,528
Contributions as a percentage of covered-employee payroll	9.20%	9.29%	9.04%	8.42%

\* - The City's covered-employee payroll information was not readily available. Therefore, contributions as a percentage of covered-employee payroll could not be calculated.

See accompanying independent auditor's report.

2011	2010	2009	2008	2007	2006
52,900	47,500	44,400	44,900	44,100	39,300
(52,900)	(47,500)	(44,400)	(44,900)	(44,100)	(39,300)
-	-	-	-	-	-
*	*	*	*	*	*

City of New London

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

## **Supplementary Information**

City of New London  
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances  
Nonmajor Governmental Funds  
As of and for the year ended June 30, 2015

	Special Revenue			
	Road Use Tax	Employee Benefits	Debt Service	Total
Receipts:				
Property tax	\$ -	135,615	-	135,615
Intergovernmental	197,255	-	-	197,255
Miscellaneous	-	880	-	880
Total receipts	197,255	136,495	-	333,750
Disbursements:				
Operating:				
Public safety	-	57,376	-	57,376
Public works	205,869	24,864	-	230,733
Culture and recreation	-	36,799	-	36,799
General government	-	12,893	-	12,893
Total disbursements	205,869	131,932	-	337,801
Excess (deficiency) of receipts over (under) disbursements	(8,614)	4,563	-	(4,051)
Cash balances beginning of year	(2,830)	33,240	85	30,495
Cash balances end of year	\$ (11,444)	37,803	85	26,444
<b>Cash Basis Fund Balances</b>				
Restricted for road use purpose	\$ (11,444)	-	-	(11,444)
Restricted for debt service	-	-	85	85
Restricted for other purposes	-	37,803	-	37,803
Total cash basis fund balances	\$ (11,444)	37,803	85	26,444

See accompanying independent auditor's report.



**Schedule 2**

City of New London  
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances  
Nonmajor Proprietary Funds  
As of and for the Year Ended June 30, 2015

	Sanitation	Utility Deposits	Total
Operating receipts:			
Charges for service	\$ 157,045	-	157,045
Miscellaneous	-	15,615	15,615
Total operating receipts	157,045	15,615	172,660
Operating disbursements:			
Business type activities	150,360	13,000	163,360
Total operating disbursements	150,360	13,000	163,360
Excess (deficiency) of operating receipts over (under) operating disbursements	6,685	2,615	9,300
Non-operating receipts (disbursements):			
Interest on investments	464	-	464
Net non-operating receipts (disbursements)	464	-	464
Excess of receipts over disbursements	7,149	2,615	9,764
Transfers out	(25,000)	-	(25,000)
Change in cash balances	(17,851)	2,615	(15,236)
Cash balances beginning of year	71,875	31,012	102,887
Cash balances end of year, unrestricted	\$ 54,024	33,627	87,651

See accompanying independent auditor's report.

City of New London  
Schedule of Indebtedness  
Year Ended June 30, 2015

**Schedule 3**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
Revenue bonds/notes:								
Sewer revenue capital loan bond	4/7/05	3.00%	\$ 727,000	\$ 453,000	\$ -	\$ 35,000	\$ 418,000	\$ 13,590
Water revenue capital loan note	11/9/09	0.00%	100,000	50,000	-	50,000	-	-
Electric revenue capital loan note	4/28/11	1.10-4.60%	4,450,000	4,000,000	-	180,000	3,820,000	154,508
Sewer revenue bond	2/14/14	* 1.75%	2,647,381	2,647,381	1,561,414	201,000	4,007,795	75,540
Water revenue bond	3/28/14	* 1.75%	278,311	278,311	86,689	15,000	350,000	7,017
Total				<u>2,925,692</u>	<u>1,648,103</u>	<u>216,000</u>	<u>4,357,795</u>	<u>82,557</u>
Other debt:								
Two Rivers Bank & Trust-fire truck	5/15/14	2.30%	138,010	136,856	-	14,059	122,797	3,056
Total				<u>136,856</u>	<u>-</u>	<u>14,059</u>	<u>122,797</u>	<u>3,056</u>
Total all debt				<u>\$ 3,062,548</u>	<u>\$ 1,648,103</u>	<u>\$ 230,059</u>	<u>\$ 4,480,592</u>	<u>\$ 85,613</u>

\* The City is also required to annually pay a .25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

City of New London  
Bond and Note Maturities  
June 30, 2015

**Schedule 4**

Year Ending June 30,	Sewer Revenue Bond		Electric Revenue Note		Water Revenue Bond		Total
	Issued April 7, 2005		Issued April 28, 2011		Issued March 28, 2014		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2016	3.00%	\$ 36,000	2.35%	\$ 185,000	1.75%	16,000	237,000
2017	3.00%	38,000	2.60%	185,000	1.75%	16,000	239,000
2018	3.00%	39,000	2.95%	190,000	1.75%	16,000	245,000
2019	3.00%	40,000	3.25%	200,000	1.75%	16,000	256,000
2020	3.00%	41,000	3.40%	205,000	1.75%	17,000	263,000
2021	3.00%	42,000	3.65%	210,000	1.75%	17,000	269,000
2022	3.00%	43,000	3.90%	220,000	1.75%	17,000	280,000
2023	3.00%	45,000	4.05%	230,000	1.75%	18,000	293,000
2024	3.00%	46,000	4.15%	235,000	1.75%	18,000	299,000
2025	3.00%	48,000	4.25%	245,000	1.75%	19,000	312,000
2026		-	4.35%	255,000	1.75%	19,000	274,000
2027		-	4.40%	265,000	1.75%	19,000	284,000
2028		-	4.45%	280,000	1.75%	20,000	300,000
2029		-	4.50%	290,000	1.75%	20,000	310,000
2030		-	4.55%	305,000	1.75%	21,000	326,000
2031		-	4.60%	320,000	1.75%	21,000	341,000
2032		-		-	1.75%	21,000	21,000
2033		-		-	1.75%	22,000	22,000
2034		-		-	1.75%	22,000	22,000
		\$418,000		\$3,820,000	* \$	355,000	\$4,593,000

The maturity schedule for the sewer revenue bond issued February 14, 2014 is not included here because the final amortization is not yet available.

\* The maturity schedule includes a \$5,000 draw made after June 30, 2015

See accompanying independent auditor's report.

City of New London  
Schedule of Receipts By Source and Disbursements by Function -  
All Governmental Funds

For the Last Ten Years

	2015	2014	2013	2012
Receipts:				
Property tax	\$ 456,737	426,160	398,964	416,154
Tax increment financing collections	-	-	-	-
Other city taxes	179,427	187,197	152,435	155,866
Licenses and permits	1,483	1,807	375	875
Use of money and property	14,471	9,223	81,176	75,107
Intergovernmental	314,483	296,393	230,982	225,214
Charges for services	7,556	26,782	22,553	26,162
Miscellaneous	96,437	39,844	92,795	61,034
Total	<u>\$ 1,070,594</u>	<u>987,406</u>	<u>979,280</u>	<u>960,412</u>
Disbursements:				
Operating:				
Public safety	\$ 348,958	329,467	271,290	306,548
Public works	304,682	327,416	214,972	191,681
Culture and recreation	174,498	186,563	156,039	158,927
Community and economic development	390	10,047	-	-
General government	111,042	122,145	174,526	164,832
Debt service	-	153,602	86,471	114,802
Capital projects	97,304	-	2,139	41,351
Total	<u>\$ 1,036,874</u>	<u>1,129,240</u>	<u>905,437</u>	<u>978,141</u>

\* Totals do not include all bank activity for the library

See accompanying independent auditor's report.

**Schedule 5**

2011	2010	2009*	2008*	2007*	2006*
394,362	375,342	362,711	355,068	346,641	336,364
-	31,920	31,500	30,071	29,378	31,645
156,254	140,104	163,702	166,066	146,881	150,312
595	1,110	505	865	880	1,480
73,605	78,524	83,865	97,782	83,138	69,169
244,286	239,987	480,174	651,234	300,204	208,805
28,799	25,028	11,909	29,041	26,892	28,185
63,884	67,308	21,819	33,053	18,775	22,943
961,785	959,323	1,156,185	1,363,180	952,789	848,903
299,799	284,877	275,522	376,362	296,617	256,482
174,753	222,489	184,477	229,548	172,628	208,992
144,401	136,748	105,726	118,635	114,108	115,307
-	27,285	43,493	-	-	-
158,555	157,057	154,095	139,578	122,309	117,137
7,776	45,903	31,672	30,725	26,440	27,645
260,827	106,326	422,931	586,374	134,885	43,767
1,046,111	980,685	1,217,916	1,481,222	866,987	769,330

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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of New London, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated March 23, 2016. My report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of New London's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of New London's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of New London's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of New London's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal control described in the accompanying Schedule of Findings as items A, B and D to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompanying Schedule of Findings as items C and E to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of New London's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### City of New London's Responses to Findings

The City of New London's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. The City of New London's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of New London during the course of my audit. Should you have any questions concerning any of the above matters, I would be pleased to discuss them with you at your convenience.

TED M. WIEGAND, CPA

March 23, 2016

City of New London  
Schedule of Findings  
Year ended June 30, 2015

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- A. Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. There is a lack of adequate segregation of duties in the following areas for the City: Cash, Investments, Capital Assets, Long-Term Debt, Receipts, Disbursements, Payroll, and Financial Reporting.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. The City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – The City will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control.

Conclusion – Response accepted.

- B. Financial Reporting – Management is responsible for the preparation and fair presentation of the financial statements and accompanying notes to the financial statements. The City does not employ an accounting staff with the technical knowledge and expertise to prepare and present the financial statements and related footnotes in conformity with all applicable accounting standards for the cash basis of receipts and disbursements.

Recommendation – I realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, may be considered cost-prohibitive and inefficient, and that it is uncommon for a small entity to have such personnel. The City should ensure that management personnel who are responsible for reviewing and approving the draft financial statements and notes to the financial statements have sufficient knowledge of the City's financial position, transactions, and internal control.

Response – The City will continue to review and monitor procedures currently in place and evaluate the risks to be accepted in preparation of the financial statements.

Conclusion – Response accepted.



City of New London  
Schedule of Findings  
Year ended June 30, 2015

- C. Disaster Recovery Plan – The City does not have a written disaster recovery plan for information systems.

Recommendation – The City should develop a written disaster recovery plan that includes the following:

- Identification of critical applications
- Identification of staff responsibilities
- Identification of steps for recovery of the system
- Identification of computer equipment needed for temporary processing
- Requirement a copy of the disaster recovery plan be kept off site
- Requirement to keep system backups current and off site
- Inventory of all hardware and components
- Inventory of all software applications (e.g. operating system and software applications, release versions and vendor names)
- Requirement copies of all user documentation and policy and procedures manuals be located off site
- Requirement extra stocks of checks be located off site
- A determination of whether the disaster recovery plan is adequately tested

Response – The City will develop a disaster recovery plan.

Conclusion – Response accepted.

- D. Reconciliation of Utility Billings and Collections – Utility billings, collections and delinquent accounts were not reconciled throughout the year. Also, utility collections were not reconciled to deposits. A reconciliation is designed to ensure the proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period and to reconcile collections to deposits. The City Council or a Council-designated independent person should review the reconciliations. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

Response – The City will consider establishing a system to complete a general reconciliation of utility billings, collections and collections to deposits. Accurate reconciliation of utility billings, collections and collections to deposits will require a substantial amount of employee time to complete. An independent person will review any reconciliations.

Conclusion – Response accepted.

City of New London  
Schedule of Findings  
Year ended June 30, 2015

- E. Library payment for computer equipment – The library made a single payment of \$7,832.95 on April 13, 2015 for computer equipment that was never delivered. The City attorney is still trying to recover the amount lost.

Recommendation – The City should ensure no further checks are issued to this vendor under any circumstance. The City should not issue checks before goods or services are received.

Response – The City will no longer issue checks before goods or services are received, and will continue to work with the City attorney to recover the amount lost.

Conclusion – Response accepted.

City of New London  
Schedule of Findings  
Year ended June 30, 2015

**Other Findings Related to Required Statutory Reporting:**

1. Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the public works and capital projects functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should be amended before disbursements exceed the budget in accordance with Chapter 384.18 of the Code of Iowa.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

2. Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
3. Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
4. Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Donald Warth, Public Works Employee	Mowing	\$ 550
Kirk Miller, City Council Member, Owner of Kirk Miller Electric	Supplies, permit	188

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the City Council Member and the Public Works Employee do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

5. Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
6. City Council Minutes – No transactions were found that I believe should have been approved in the City Council minutes but were not.
7. Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

City of New London  
Schedule of Findings  
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8. Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.
9. Financial Condition – The Road Use Tax Fund had a deficit balance of \$11,444 at June 30, 2015.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return the fund to a sound financial position.

Response – The deficit balance for the Road Use Tax Fund was a result of a data entry error, and this deficit will be remedied in fiscal year 2016.

Conclusion – Response accepted.